

Office of Economic Development
Mesa Redevelopment Authority Executive Board
57 E. 1st Street
Lower Level Council Chambers
Mesa, AZ 85201

MEETING MINUTES

Date: July 23, 2013 1:00 P.M.

MEMBERS PRESENT

Brian Campbell, Chair
Tony Ham, Vice-Chair
William Jabjiniak
John Regni
Virgil Renzulli

STAFF PRESENT

Margaret Robertson
Shea Joachim
Kelley Keffer
Gail Vangen

GUESTS

Dane Mullenix

1. Chair's Call To Order

Chair Brian Campbell called the meeting of the Mesa Redevelopment Authority Executive Board (MRA) to order at 1:00 P.M.

Chair Campbell invoked executive privilege to welcome Shea Joachim back to the project. Shea addressed the Chairman and members of the Board sharing his responsibilities that will include the AZ Labs Facility working directly with Alion as well as launching the Mesa Technology Accelerator.

2. Approval of Minutes from the May 28, 2013 Meeting

Chair Campbell called for a **motion** to approve the minutes from the meeting held on May 28, 2013.

MOTION: General John Regni moved that the minutes from May 28, 2013 be approved as written.

SECOND: Tony Ham

DECISION: Pass unanimously

3. Items from Citizens Present

No citizens were present.

4. Discuss and possibly take action on Arizona's effort to be designated a National Test Range to Integrate Unmanned Aircraft Systems into the National Airspace System

General Regni stated that the FAA is evaluating Arizona's proposal along with others. The FAA has requested additional information from Arizona. The FAA initially had 50 applicants from 37 states. The newest map on their website indicates a decrease in applications to 25 applications from 24 states.

General Regni will be attending the AUVSI convention on August 12 – 15 in Washington D.C. and also make visits and calls during his visit to Washington D.C. Dane Mullenix will be present and the Arizona Congress Authority will have a booth at the convention. General Regni will also be attending the Southwest Defense Alliance in San Antonio on November 2nd and 3rd.

Dane Mullenix added that he will be attending the Southwest Unmanned Aerial Systems Regional Conference, which was initially suspended but is now rescheduled for September. The speaker list includes Mr. Williams, Head of the Unmanned Systems Office.

Chair Campbell requested an update on the southwestern states dropping from the application process. General Regni responded that New Mexico is no longer listed on the map.

General Regni also offered to make contacts or visits during his travels. Chair Campbell accepted his offer.

5. Discuss and possibly take action on alternatives or contingencies for the Economic Development Conveyance (EDC) agreement for the Arizona Laboratories for Security and Defense Research (AZLabs).

William Jabjiniak confirmed that the Mayor did pen a letter to the Secretary. A prompt response was received restating the previous negotiations. A phone call took place this morning with the Air Force to look at the terms to increase the amount of credit for the amount of investment that has been made to date. The maintenance issues with the Lab will be addressed by Dane Mullenix. No amount of credit has been agreed upon by the parties. There have been discussions regarding the conveyance being made retroactive to the June 26, 2013 end date of the interim lease.

6. Discuss and possibly take action on a report of Alion Science and Technology regarding property management efforts at Arizona Laboratories for Security and Defense Research (AZ Labs).

Agenda items 6 and 7 have been switched to follow the order of Mr. Mullenix's presentation. Mr. Dane Mullenix presented an overview of current activity, which included site visits and maintenance issues (slide three). Chart four provides a graphic picture of what is taking place regarding the water cooler situation. The four large industrial size water coolers not only supply water to its own buildings, but also two buildings owned by ASU and Gateway Airport Authority. There are two chillers located in building 561 which are 250 tons each, and two larger chillers which are 360 tons each. Only two of the four were in operating condition.

On June 4, the first unit broke down and within 24 hours the second unit was also down. This breakdown was a result of Air Force neglect and their decision to not maintain these chillers in 2005. Currently one unit has been repaired and carrying the load for all the buildings.

Mr. Mullenix is proposing that three of the four chillers be returned to operating condition to insure reliability and sustainability as backup to conduct preventative maintenance, and as the load increases with the student population, having three of the four operational would be a good safe number.

High level numbers for repair costs were provided. Competitive bids will be forthcoming. The cost to bring unit one online was \$23,000. This unit had no identifiable defects other than

maintenance issues that had been neglected. The next unit in 561 was down hard and was used for spare parts.

Unit three has estimated repair costs of between \$35,000 and \$55,000. Trane is estimating a total complete rebuild and replace at a cost of approximately \$55,000. However, Mr. Mullenix has sent a sample of the oil for evaluation for a second opinion, which could result in a repair costs much less than the \$35,000 estimate. The oil sample results have not yet been received. Once evaluated, the results will determine the method of repair.

Unit four appears to need a motor rewind. The construction of this unit would require a complete disassemble and reassemble. Cost-wise it would be more effective to rebuild the entire unit.

The City has received an engineering report on the chiller water systems. Mr. Mullenix has not yet seen this report which he is hoping will provide more insight into the water situation.

William Jabjiniak stressed the importance of having the units working. This maintenance issue was not disclosed by the Air Force.

General Regni noted that a one page explanation of what transpired and a note that the Air Force did not disclose the maintenance decision would be advantageous.

A new 360 ton chiller of this particular type (same design on current footprint) is estimated at a cost of \$198,000 with a ten year warranty. The 250 ton units with a newer design, run on average of \$230,000 - \$240,000 with a five year warranty. A rebuilt unit with a standard five year warranty, pushing for a ten year warranty, is in the \$55,000 to \$60,000 price range. It is felt that these smaller units would be sufficient with proper maintenance. In addition, the rebuilt units could have added advanced controls that would reduce electrical costs by 10 - 15 percent.

Mr. Mullenix will have estimates prepared and forwarded for review, hopefully by the end of this week. As an added note, the cost to rent a chiller is approximately \$20,000 a month, hence the need to work quickly on the decision for the chillers.

Chair Campbell was pleased with the communication and patience and encourages both Mr. Mullenix and ASU to continue to work through the issues and have a backup plan if needed. ASU has asked for a status update in early August in preparation for when student classes begin.

7. Discuss and possibly take action on a report of Alion Science and Technology regarding business development activity at Arizona Laboratories for Security and Defense Research (AZ Labs).

A complete chart of leases in place, pending leases and opportunities identified generically by academic, corporate and government was presented to the Board. Shared interest by Alion corporate and one other existing tenant may bring in permanent government presence for both occupancy and longevity of lease revenue and occupancy.

There are some duplications and proposals in place for overlapping. The prospective leases are leases where a formal quote has been approved by the City. In every case but one, those are folks that have actually bid for this property are a contractor and are awaiting the award with a contingent lease.

Mr. Mullenix provided an additional explanation of the charts and probabilities of the leases and available spaces.

Mr. Mullenix provided details regarding two ongoing Alion initiatives, involving Alion's largest DoD customers. The first involves the consolidation of technical data from among DoD's Technical Information Analysis Centers. Each is designed to capture and exploit different types of defense technology. Set up originally at the end of WWII, it has expanded to every other imaginable defense-related technology. Alion has strong ties to this agency and is currently bidding these additional contracts with a high probability of winning. The first RFP is in process and will be submitted by the middle of August. DoD states it will make an award by the end of the calendar year. Mr. Mullenix is estimating it to be more likely awarded the first quarter of next year. That is the largest contract ever for this particular DoD Agency. Alion has bid on a large number of items within the proposal that have strong applicability for AZLabs.

For the opportunity, senior Alion representatives are in discussion with leadership from this same Agency on a National Technology Archive, which would consolidate all of the scientific and technology information presently in eleven institutions into one single library. This would require space and security at a level that would almost certainly require new construction anywhere else but here. We are in the process of trying to shape the RPF to allow an existing facility to be considered if it can be matched to the same capability of security at a low cost. We believe the only spot in the lower 48 where we can do that is AZ Labs. AZ Labs intends to bid and invite the Agency's senior leadership to visit AZLabs, and along with the City show them why this is a terrific location. This will be the world's largest high-security library.

Chair Campbell encouraged Mr. Mullenix to reach out to ASU resources on the expeditious arrangement for the DTIC visitation to the facility.

Tenant Business Development:

On July 18th, an open house was hosted with a current tenant for First Responders which does security training, small arms training, high technology surveillance and other related items. Leads were obtained from this open house.

A Second open house is planned with DOD Centric with a date pending towards the end of August, early September. This open house will be classified and focused on the special operations community.

Another new tenant that took occupancy on July 1st is pursuing flight training contracts. They have been submitted and are in the source selection process. This is a training opportunity that would be entirely engineered from within the site. This company has been told they have won the technical portion of the competition. Due to the small size of the company, AZ Labs is assisting with financial backing which, if successful, will result in a big expansion in tenancy.

The Hub Zone has another pending lease with a small company that has bid two contracts and will be awarded the two contracts upon successful Hub Zone designation from SBA. Four other small local companies all doing business with DOD would like to follow this small business path.

ASU has provided an eligible roster of US citizen students in work study that are qualified for US security clearances who are residing in the Hub Zone. A listing from Chandler and Gilbert are forthcoming.

Chair Campbell requested an update on the SBA award. Mr. Mullenix advised the award announcement is expected very shortly.

Mr. Mullenix shared upcoming marketing events.

Hot issues were reviewed including the vendor contracts for repairs, the back-to-back breakdown of the chillers and end of the year return of approximately \$200,000 to the City.

7. Other Business

Chair Campbell requested the materials distributed during the meeting today be returned due to confidentiality issues. Chair Campbell encouraged continuing the drive to fulfill the leases.

Next Meeting: Tuesday, August 27, 2013, 1:00 P.M. at 57 E. 1st Street, Lower Level Council Chamber, Mesa, AZ 85201.

8. Adjournment

Chair Campbell adjourned the meeting at 1:58 P.M.

Submitted By:



William J. Jabjiniak
Economic Development Department Director
(Prepared by Beth Ann Moore)

